HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Regina CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2013

Highlights

- Rising inventory will constrain housing starts in 2014
- Existing home sales will edge higher next year, price growth to moderate
- Higher rental construction will lift the vacancy rate through 2014
- Net migration to edge lower but remain elevated through 2014

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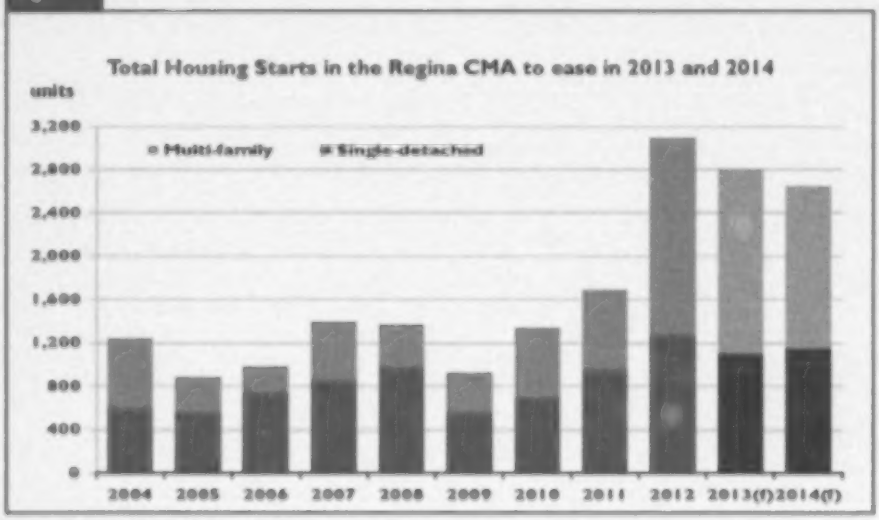

Source: CMHC, CMHC Forecast (f)

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[1]The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents forecast ranges and risks where appropriate. The forecasts and historical data included in the document reflect information available as of October 16, 2013.

New Home Market: Elevated Supply Will Constrain Starts in 2014

New home starts in the Regina Census Metropolitan Area (CMA) are on pace to reach 2,875 units in 2013, down seven per cent from the 3,093 units initiated one year prior. Elevated supply levels and lower net migration will be a constraining factor on construction this year. Compounded by the elevated active listings in Regina's resale market, local builders will be motivated to scale back production of new homes as we move into next year. Expect housing starts in the Regina CMA to moderate further to 2,750 units in 2014, a 4.3 per cent decline from 2013. Despite the moderation, housing starts over the forecast period will be among the highest in more than 30 years, supported by strong employment growth and low mortgage rates.

In the face of rising inventories, single-detached starts are forecast to decline 15 per cent to 1,100 units in 2013 before increasing slightly to 1,150 units in 2014. Despite the moderation from the peak in 2012, favourable economic and demographic factors throughout the forecast period will keep housing demand elevated. From January to August, builders broke ground on 834 single-detached homes, down three per cent from the corresponding period one year prior. Builders have eased production as absorptions have continued to lag completions, resulting in a 50 per cent increase in the inventory of complete and unabsorbed units in August, compared to a year ago.

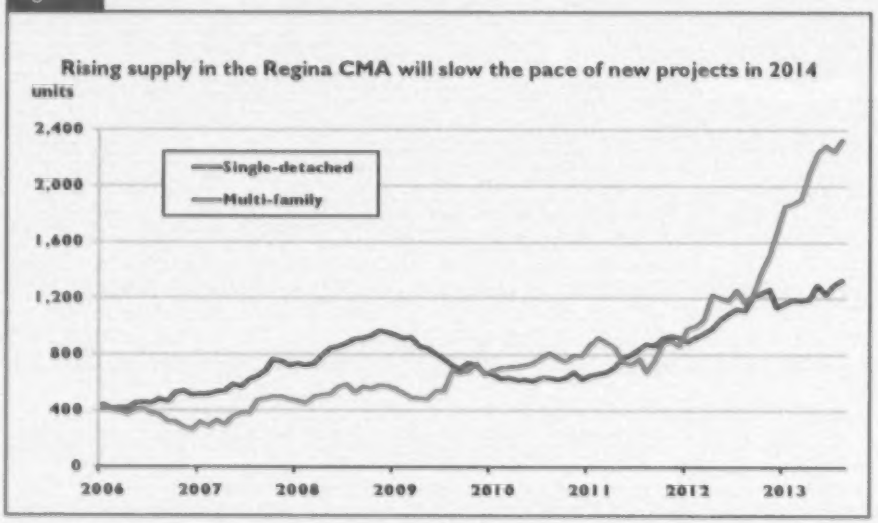
With fewer single-detached starts in 2013 and added production capacity over the last few years, contractor selling prices, measured by Statistics Canada's New House Price Index (NHPI), are forecast to rise by 2.8 per cent this year, down from the 4.4 per cent gain in 2012. Correspondingly, Regina's average new home price is projected to increase to $475,000 in 2013 and to $485,000 in 2014.

Regina's multi-family starts, which consist of semi-detached, row and apartment units, are projected to moderate to 1,775 units in 2013 due to elevated supply and a reduction in net migration to the region. Despite the reduction, starts will remain elevated by historical standards. Low vacancies in the Regina CMA have spurred the construction of 494 apartment rentals through August, compared to 147 units in the same eight-month period last year. In addition, demand from homebuyers seeking a lower priced option or different lifestyle from single-detached ownership resulted in 262 row units being initiated to the end of August, up from 113 last year. With this pace of construction, the supply of multi-family homes in August stood at 2,326 units, the highest level on record and almost double the 1,168 units in August of 2012. Moving forward, rising inventories will slow the pace of initiating new projects in the final months of 2013 and in 2014. To this end, we expect multi-family starts to moderate further to 1,600 units in 2014.

Existing Home Market: MLS® Sales Moderating, But Will Edge Higher in 2014

Regina's resale market is forecast to moderate in 2013 after reaching its peak in the summer of 2012. Despite support from a strong labour market and low mortgage rates, demand for existing homes has moderated in 2013 due to lower net migration, continued price gains, and higher monthly carrying costs. To the end of August, sales were 12 per cent lower than in the corresponding period of 2012. Consequently, we expect existing home sales in 2013 to finish the year at 3,700 units, down from 3,952 a year earlier. In 2014, a slightly higher level

Figure 2



Source: CMHC

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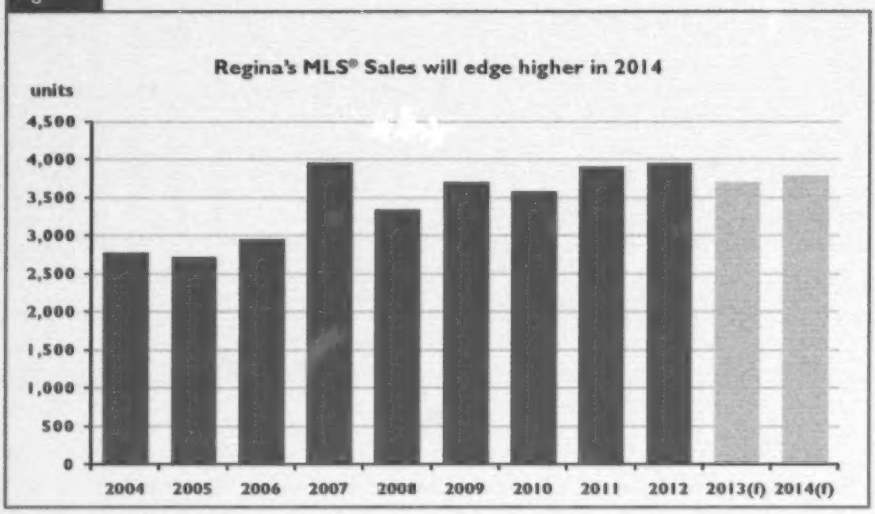
Figure 3



Source: CREA, CMHC Forecast (f)

of 3,800 sales is projected, supported by continued job growth and move-up buying.

Resale market conditions are expected to remain balanced in most areas of the Regina CMA throughout the forecast period. Given strong resale price growth over the past several years, some existing homeowners with equity gains are listing their homes. Active listings on the MLS® in August totalled 1,873 units, 32 per cent higher than a year earlier. In addition, the number of days on market averaged 36 in the first eight months of 2013, up from 33 days in the corresponding period of 2012. With a wider selection of resale homes to choose from and slower sales, the sales-to-active listings ratio was at 19.8 per cent in August, down from 24.4 per cent in August 2012.

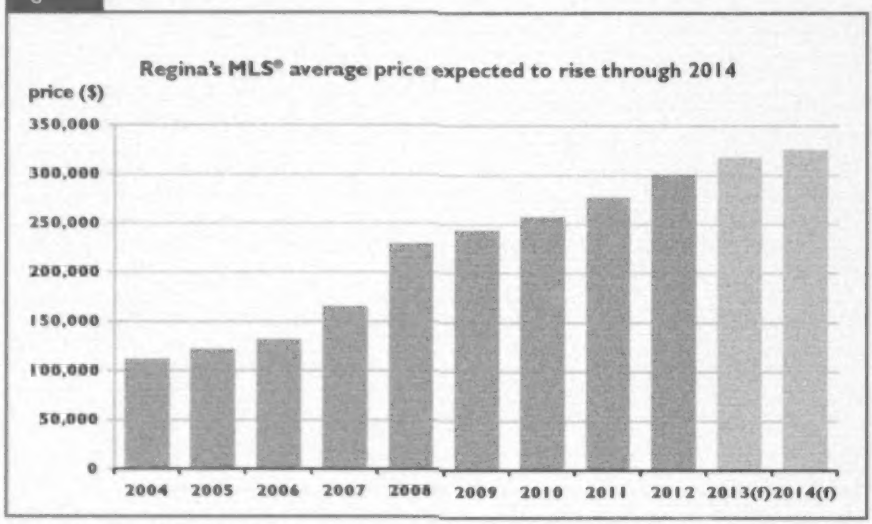
Under these conditions, resale price growth is expected to slow. The average MLS® price for Regina is forecast to reach $317,500 in 2013, before rising less than three per cent to $326,000 in 2014. So far in 2013, upward movement on Regina's average resale price has been supported by a shift in the composition of sales away from the lower price ranges. During the first eight months of 2013, the share of homes selling at or below $250,000 declined to 31 per cent of total sales, down from 36 per cent in the corresponding period of 2012.

Moving forward, increasing supply and rising carrying costs in 2014 will lead to moderating price growth.

Rental Market: Increased Supply of Rental Units Will Lift Vacancies

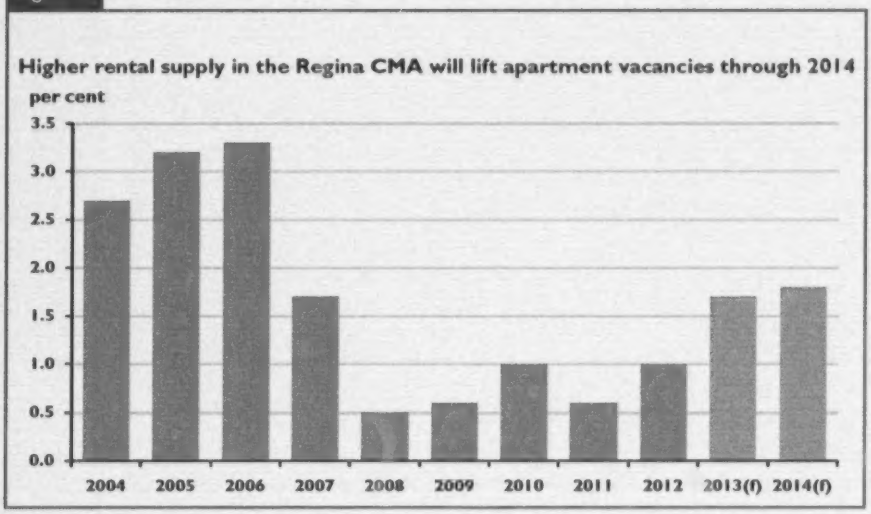
Regina's apartment vacancy rate is projected to rise from one per cent in 2012 to 1.7 per cent in 2013 and 1.8 per cent next year. A strong labour market and an expanding population have kept demand for purpose-built rental housing elevated in recent years. In 2013, employment within the 15-24 years age group, which has the highest tendency to rent, was up 10 per cent year-to-date in August, compared to last year. On the supply side, however, vacancies at or below one per cent have spurred the construction of apartment rental units. Following the 347 apartment starts for rental tenure in 2012, an additional 494 units were started in the first eight months of 2013. Supply will be further augmented by condominium apartments being rented. These

Figure 4



Source: CREA, CMHC Forecast (f)

Figure 5



Source: CMHC, Fall Rental Market Survey, CMHC Forecast (f)

additions to supply will contribute to a modest increase in vacancies.

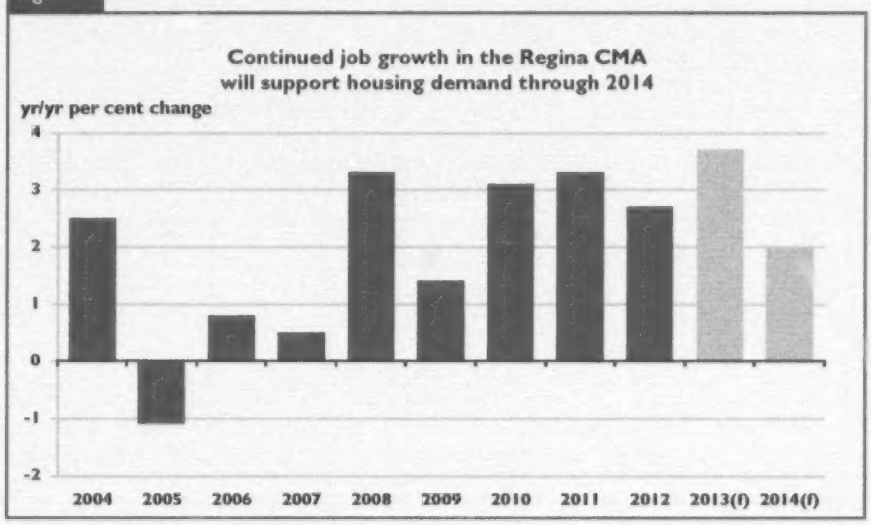
Despite the gradual increase in vacancies, Regina's expanding population and continued job growth will help ensure that demand for rental units remains strong over the forecast period. This will support increases in average apartment rents, as will the addition of newly constructed units which typically rent for more than existing units with similar specifications. As a result, the average monthly rent for a two-bedroom apartment is forecast to increase to $1,025 in the October 2013 survey, compared to $979 last October. Next year, with further additions of new rental units at higher price points, the average monthly rent for a two-bedroom apartment is projected to reach $1,060.

Economic Trends: Employment Expansion to Continue Through 2014

For a fourth consecutive year, Regina's labour market will outperform most regions in Canada. Average employment in Regina is on pace to expand by 3.7 per cent in 2013, while the unemployment rate is forecast to decline to 3.8 per cent. This will serve as a solid base for housing demand this year and next. As was the case in 2012, the majority of the jobs being created continue to be full-time. To the end of August 2013, a total of 7,800 were created, compared to 4,100 in the same period one year prior. Of these, 5,400 were for full-time positions, while the remaining 2,400 were part-time. With employment growth outpacing the increase in the labour force, Regina's unemployment rate averaged 3.6 per cent in the first eight months of 2013, down from 4.2 per cent in the corresponding period a year earlier. Given a record participation rate of 76 per cent in August, Regina will continue to experience tight labour market conditions moving into next year. In 2014, average employment is projected to grow by two per cent, while the unemployment rate is expected to average four per cent, indicative of labour shortages and among the lowest in Canada.

Regina's strong job growth, employment opportunities, and a low unemployment rate will continue to

Figure 6



Source: Statistics Canada, CMHC Forecast (f)

draw migrants to the region. However, with improving economies outside of Saskatchewan, net migration to the Regina CMA is forecast to moderate from the record 5,826 migrants last year, totalling 4,700 people in 2013 and 3,900 in 2014. Despite the moderation, net migration to Regina over the forecast period will remain a large contributor to population growth, new household formation, and housing demand.

Mortgage Rate Outlook

Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates.[3]

CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.

By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for 2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

[3] "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting," Federal Reserve Bank of New York, (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html)

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards.
Employment	Employment in Regina is expanding rapidly. The majority of the jobs created continue to be full-time, which will support demand for all types of housing moving forward.
Income	Despite a strong rate of full-time job growth, Regina is on pace for a modest decline in average weekly earnings. This may moderate housing demand.
Population	A lower level of net migration to Regina in 2013 and 2014 will reduce demand for housing compared to last year, albeit modestly.
Resale Market	Housing starts are expected to reflect the recent moderation in MLS® sales in 2013, as trends in the resale market typically lead trends in new home construction.
New Home Inventory	The supply of multi-family new units during the first eight months of 2013 almost doubled the level in the same period last year, which will motivate local builders to scale back production in 2014.

Forecast Risks

This outlook is subject to some risks, including:

- A stronger than expected U.S. economic recovery or stronger growth in emerging countries could lead to higher global commodity prices, which would positively impact on the Saskatchewan economy. This would lead to stronger economic growth and housing activity.
- Should the inventory of new units climb inordinately, local builders would likely delay or reduce the size of some construction projects. Consequently, this would lead to a greater moderation in the number of housing starts than is currently forecast.
- A slower than expected pace of employment growth in Regina next year would negatively impact housing demand.

Forecast Summary Regina CMA Fall 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	708	958	1,289	1,100	-14.7	1,150	4.5
Multiples	639	736	1,804	1,775	-1.6	1,600	-9.9
Starts - Total	1,347	1,694	3,093	2,875	-7.0	2,750	-4.3
Average Price ($):							
Single-Detached	438,979	457,947	462,023	475,000	2.8	485,000	2.1
Median Price ($):							
Single-Detached	409,016	417,651	436,494	442,000	1.3	450,000	1.8
New Housing Price Index (% chg.)	5.2	5.0	4.4	2.8	-	2.7	-
Resale Market							
MLS® Sales	3,581	3,899	3,952	3,700	-6.4	3,800	2.7
MLS® New Listings	6,146	6,301	6,358	6,800	7.0	6,850	0.7
MLS® Active Listings	1,338	1,257	1,244	1,450	16.6	1,475	1.7
MLS® Average Price ($)	258,023	277,473	301,145	317,500	5.4	326,000	2.7
Rental Market							
October Vacancy Rate (%)	1.0	0.6	1.0	1.7	-	1.8	-
Two-bedroom Average Rent (October) ($)	881	932	979	1,025	-	1,060	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.50	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	118,900	122,800	126,100	130,765	3.7	133,381	2.0
Employment Growth (%)	3.1	3.3	2.7	3.7	-	2.0	-
Unemployment rate (%)	4.7	4.7	4.1	3.8	-	4.0	-
Net Migration [1]	3,079	3,379	5,826	4,700	-19.3	3,900	-17.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

The forecasts included in this document are based on information available as of October 16, 2013

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DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites, and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:

The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:

The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:

Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:

Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:

Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:

Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:

Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:

Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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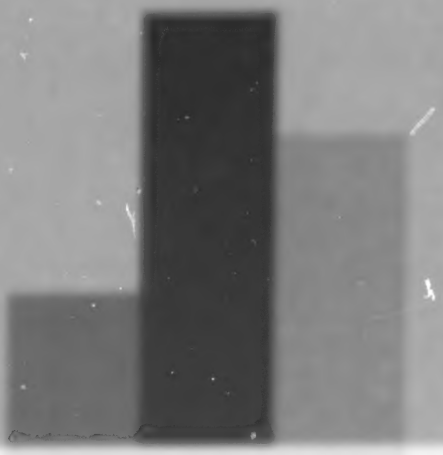

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